

Warm-up

Jeff plans to buy an Ipod Nano but has waited for it to go on sale.

The regular price of the Ipod Nano is \$159.99 but has been discounted by 20%.

How much will Jeff pay for the Ipod (tax included) if he buys it at the WalMart in Summerside, PEI?

ACTIVITY 1.5 WHAT'S YOUR RIDE? SURVEY

The current issue of What's Your Ride? magazine includes a feature article about the international automotive scene. Vehicles from five countries are profiled. The chart below lists the vehicles, their country of origin, and their list prices in the local currency.

Your task is to research the price of each vehicle in Canadian dollars at today's exchange rate.

2013 Lotus Exige S

Bank of Canada

Royal Bank



Comparing Cars					
Name of Country	Make and Model of Car	Name of Currency	Exchange Rate	Foreign Amount	Canadian Amount
England	Lotus Exige S	Pound		£56,000	

Cost to purchase currency:

Cost to return currency to Canadian Dollars:

Currency Exchange Rates

1.5

buying rate: the rate at which a currency exchange buys money from customers.

currency: the system of money a country uses.

exchange rate: the price of one country's currency in terms of another nation's currency.

selling rate: the rate at which a currency exchange sells money to its customers.

EXPLORE THE MATH

People travel to different countries on business and for pleasure. Goods and services are also bought and sold between countries. Since different countries use different systems of currency, international trade requires an organized system for exchanging money.

Currency is exchanged by banks, currency exchange companies, and businesses such as travel agencies. Not all currencies are available at every exchange. If the currency you need is not requested very often, you may have to order it in advance. It may take some time to obtain a currency, so it is best to plan ahead. Since banks and other exchange agents charge a fee for this service, it can be a good idea to shop around for the best price.

If a Canadian company wants to buy goods made in Japan, it must exchange Canadian dollars for yen to complete the purchase. The exchange rate between the two currencies is used to calculate how many dollars the company must convert to yen.

The exchange rate fluctuates from day to day, and from one currency exchange to another. Exchanges set a selling rate and a buying rate for currency exchange, and these rates are different from each other. If you plan to travel to Italy and need to obtain euros from your bank, you will pay the selling rate (the bank is selling the euros to you).

If you have euros left over when you return to Canada, you will receive the buying rate when you convert them back into Canadian dollars (the bank is buying them from you). You pay more for the foreign currency than the banking institution will pay you in return.

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FIGURE 1.2
Exchange Rates Compared to the Canadian Dollar

Bank buying rate	Country	Currency units	Bank selling rate
0.950964	Australia	dollar	1.006964
1.580814	Austria	euro	1.644814
1.580814	Belgium	euro	1.644814
0.534900	Brazil	real	0.697000
0.127100	China	yuan	0.162600
0.210778	Denmark	kroner	0.221778
1.996146	England	pound	2.060146
0.159300	Egypt	pound	0.217300
1.580814	European Community	euro	1.644814
1.580814	Finland	euro	1.644814
1.580814	France	euro	1.644814
1.580814	Germany	euro	1.644814
1.580814	Greece	euro	1.644814
0.128451	Hong Kong	dollar	0.133451
1.580814	Italy	euro	1.644814
0.009295	Japan	yen	0.009855
0.012510	Kenya	shilling	0.017300
0.083443	Mexico	peso	0.108443
1.580814	Netherlands	euro	1.644814



Example 1

On a specific date, the selling rate for the Danish kroner compared to the Canadian dollar is 0.221778.

How many kroner will you receive for \$500.00 CAD?

Method 1

Method 2



Example 2

On the same day as example 1 occurs, the buying rate for kroner was 0.210778.

If, after purchasing your kroner, you decided not to go to Denmark and sold the kroner back to the bank, how much would you lose?

Your Turn

Calculate the amount of money you would receive in Canadian dollars if you bought the following currencies to a bank.


a) 4500.00 pesos

Calculate the amount of money you would receive in Canadian dollars if you sold the following currencies to a bank.

a) 4500.00 pesos

To Do:

Attachments

 Bank of Canada

 Royal Bank